



## **Does it matter if the poor are forced out of Sydney?**

**Text of a Presentation to the  
NCOSS Poverty Week Seminar, Parliament House, Sydney, 17  
October 2005.**

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### **1 Is there a housing affordability problem in Sydney?**

**Yes – its long term and structural**

**House prices** are at an all time high in Sydney (Figure 1). The median house cost 4.6 times the median income in 1981. This ratio had increased to 8.7 times median incomes by 2003. Eastern and Central Sydney has experienced the most inflation in house prices (Figure 2).

But trends were worse for those at the bottom of the income range. For example, even at the 40<sup>th</sup> percentile household income level median house prices rose from being 5.6 times higher than the relevant income level to 11.1 times higher over the 81 – 2003 period.

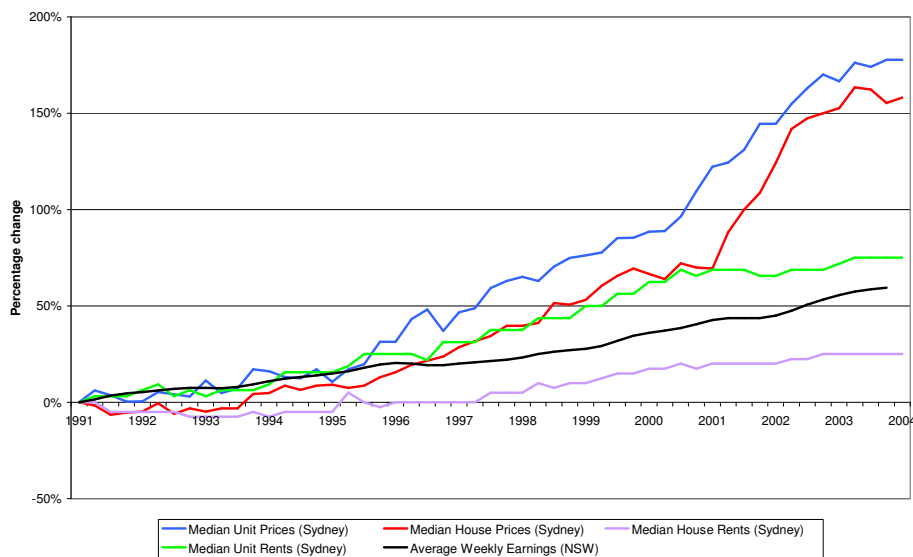
For anyone with incomes below the 40% percentile, ownership is probably impossible. These pressures are unlikely to have eased much since then, despite the flattening out of property increases.

**Rents** – moderate increases until recently, largely due to increased supply during the rental investment boom of the 1998 – 2004 period and strong

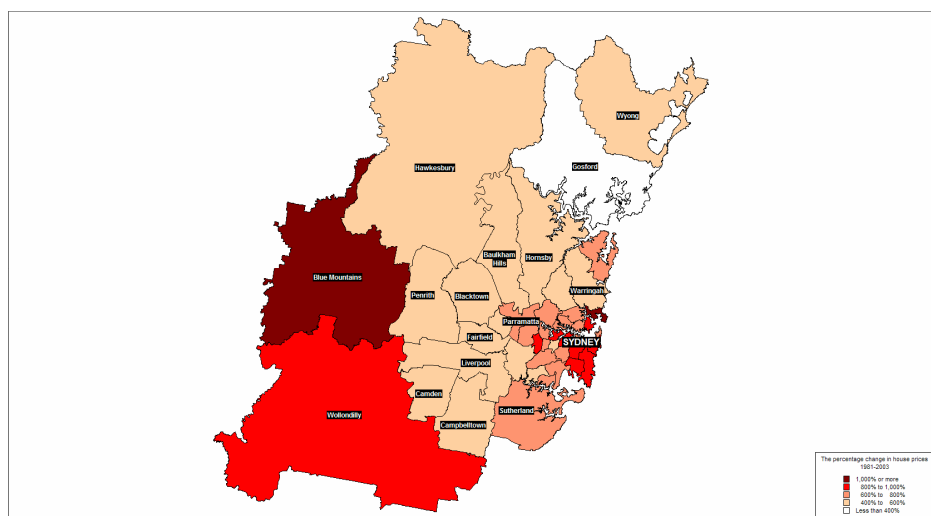
capital gains growth. Landlords have not worried too much about rents (Figure 1).

But that all changed. New investment has ceased. No one is buying to let. So supply has stalled and capital gains are falling. And the abolition of Vendor Tax has had little or no impact at all. So rents will almost certainly rise as investors attempt to increase their returns form rental income, in the absence of capital growth, and supply starts to slow.

**Figure 1: Changes in rents, sales prices and income, Sep 1991-Sep 2004**



**Figure 2: Change in house prices by local government area in Sydney, 1981-2003**



## **2 Who does it unaffordable housing affect?**

**It affects us all – but it's the poor who feel the pinch.**

Research on affordability across Australia with Judy Yates shows that while households earning under \$600 per week comprised only 17% of the population in 2001, they accounted for 51% of those in housing stress.

So the poor are disproportionately affected by unaffordable housing.

## **3 How many poor people are there?**

**Well, it depends on how you define what being poor is.**

In Sydney in 2001:

- 148,000 households earned under \$300 per week – 10% of all households. Of these, 13% were working households
- 316,000 households earned under \$500 per week – 21% of all households. Of these, 23% were working households

**So the poor make up a sizeable slice of the population.**

Moving 300,000 households out of Sydney would be a logistical exercise that our State government would almost certainly not wish to pursue – not least for the cost implications of relocating the services to go with them – although I am sure there would be a PPP consortia that would probably offer to do the job for them

## **4 But the poor are not a homogenous group**

They are made up of a number of distinctive groups, all with very different needs and aspirations. They are just ordinary people with low incomes. This is important – because it means their housing needs are very different.

**4.1 The old – large number of the poor are retired.** This group have very low incomes, although some may be asset rich, if they own their own homes. Many of the latter are already leaving Sydney for the coastal retirement areas and elsewhere. So there is a strong stream of these people already leaving. The trouble is, it's not the poorest one, on the

whole who leave. Those with fewest resources and assets have little choice but to remain. In any event, this is where their communities and relatives are who support them.

And many of those who leave at age 65 end up returning later when their partner dies – there is a strong return flow of older people.

Why? Because the services to support older poor people are simply not out there.

Are we really going to force are old and retired away from the supports they need into old aged enclaves?

#### **4.2 The sick and disabled – people reliant on disability support and other payments.**

Many of these are dependent on the health and social services that are only readily available in larger urban areas. Forcing them out would compound their problems.

For both this group and the elderly, such a shift would require a major investment in health and social services support in non-metropolitan areas. I can't see this government moving to do this in a hurry – its what the metro strategy is all about – more intensive use of existing Metro infrastructure.

*So it's much cheaper to keep the old and the disabled here in Sydney.*

**4.3 Single Parents and their children.** Large numbers of children are now living in poverty – the number is growing. The poorest of this group are increasingly dependent on public housing for their affordable housing needs. This is concentrated in Sydney. No one is going to build more outside Sydney.

For single parent looking to re-enter the workforce, then Sydney offers the only real opportunity for access to a range of job and training opportunities in any numbers. Any move to address social exclusion in order to re-integrate this group back into the economic mainstream if they want to (and many do) must be best served in a metropolitan area like Sydney.

**4.4 Low income workers** This group is the backbone of the global city workforce and under the new Australian Workplace Agreement framework we are likely to have even more of them.

Put bluntly, Sydney needs the working poor to function as a viable global city. All global cities have similar labour markets – a high paid ‘knowledge economy’ workforce, and a low paid service workforce that keeps them going: *Hospitality workers, sales workers, carers, cleaners*. Sydney is no different.

Moreover, these are the very groups of workers most in housing stress. Recent research we’ve undertaken with Judy Yates has shown clearly that these are the occupational groups that have the highest incidence of housing stress in Sydney. And many of them work in the CBD where the global labour force in high level finance and business services relies on this group to service and support them.

But their housing costs are high because they need to live close to work as many work unsocial hours, shift work, split shifts or are casuals, getting called in on an irregular basis to work. Few of them live in the lower cost outer suburbs of Sydney.

## **5 So, Does it matter if the poor are forced out of Sydney?**

**Yes – it does.**

*It matters for the poor themselves* – Sydney is where the best health and social support services are concentrated. Push them out and they lose those supports. Government is not going to invest substantially outside Sydney to deliver these high intensity services to poor people. *It much cheaper to keep them here.*

Sydney is also where many of them benefit from family and community supports. This is what binds the community together in many cases.

*It matters in terms of the economic functioning of the city.* Without the working poor – and we now know that the working poor are likely to get even poorer – the economy would seize up.

Who would clean the hotels and offices? Who would wait on your table and serve you cappuccinos? And who would care for your kids and parents?

*And most importantly, it matters on grounds of social equity and inclusion*

I take it as read that Australian society is *not* one that we wish to see based on notions of exclusion or division. The ethos of a “fair go” and, until recently at least, a flatter social structure in which differences in class or status were less pronounced than in other countries was one of Australia’s most potent legacies.

But this is changing – incomes are polarising and with it so to are social divisions. And the property market is not only mirroring this, but also adding its own twist. Our city is becoming ever more socially imbalanced as high property prices in the east of the city, driven by tax supported investors, dual incomes households, low interest rates and high end income growth, among other things, have driven out the poor. This is all now well documented (Figures 3 and 4).

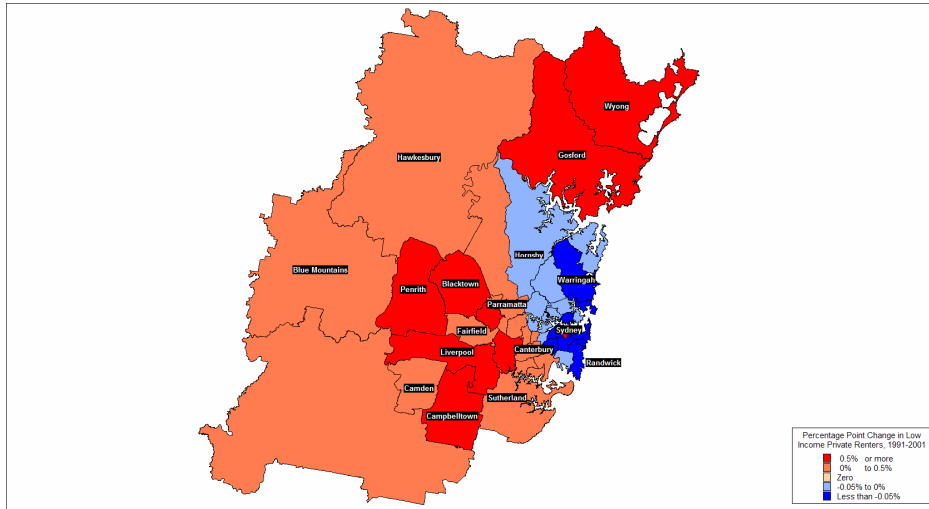
*In the process, Sydney has become more exclusive and excluding.*

But prevailing planning principles and urban design frameworks are now strongly promoting the benefits of social inclusion and balance as key components of *social sustainability*.

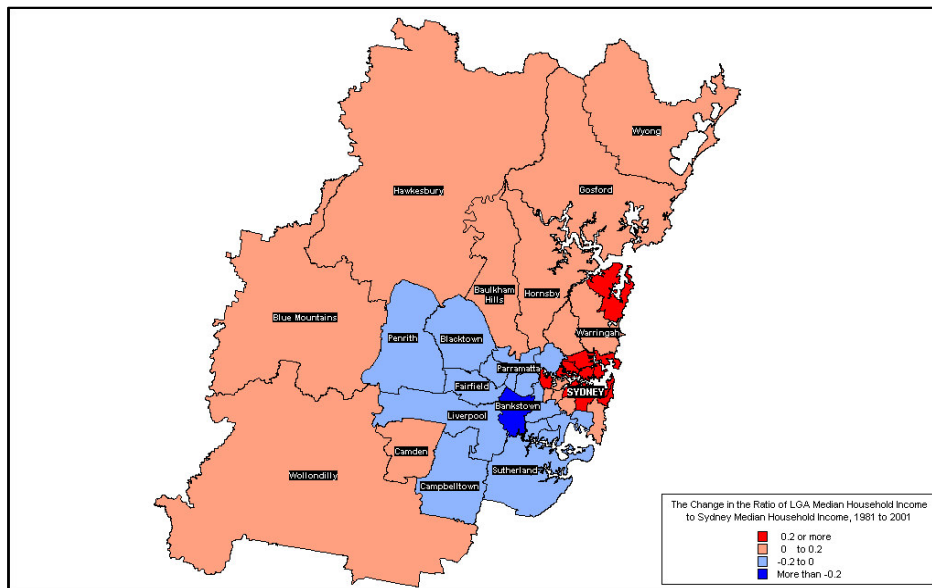
This perspective argues that “a well-integrated mix of decent homes of different types and tenures to support a range of households, ages and incomes” is needed to create and maintain a sustainable community structure.

In other words, social sustainability is achieved by offering a diverse range of housing choice, including non-market housing – well lets call a spade a spade – subsidised housing – for those too poor to pay for it on the open market.

**Figure 3: The percentage point change in Low income households renting privately in Sydney by LGA, 1991-2001**



**Figure 4: Proportional change in 1981 and 2001 LGA median household incomes compared to the median, Sydney LGAs.**



## **Conclusion**

So, under current policy and economic settings, Sydney's poor will be with us for some time to come. The old, the disabled, single parents struggling on ever falling welfare support, and those who stack our supermarket shelves, clean up after us and care for the infirm.

Sydney is already well on the way to becoming a socially polarised city – the social gradients are steepening, and now likely to get steeper.

Decent, affordable housing in appropriate locations to meet the various needs of this diverse group is one of the keys to ensuring that social divide does not become a social catastrophe.

Anything less will leave us with a social structure that was so graphically revealed to the world in the aftermath of Hurricane Katrina. We don't need that here – and we don't want it.

So come on government, give us the affordable housing that will do justice to claim of Australia as a decent and *fair* society and the vision of Sydney as a social sustainable city.

**October 17 2005**